CPA Firm Alumni as a Marketing Resource

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Abstract:
One way accounting firms can identify potential sources of referrals and new business is to look to past employees, or alumni, Although major firms recognize the importance of maintaining relationships with their alumni, no prior research has directly examined alumni systems in CPA firms or other business organizations. Therefore, an exploratory study was conducted to identify characteristics of employee and alumni programs that appear to influence the marketing value of alumni. Results indicate that several variables affect an alumnus' identification with and predisposition to benefit the firm. Suggestions are offered on ways the firm can positively influence these variables. Many implications also apply to other types of professional services firms.
Keywords: Accounting, CPA firms, referrals, relationship marketing

Article:

INTRODUCTION

The importance of practice development for major accounting firms has greatly increased because of corporate mergers and downsizing (Mingle 1994) and the repeal of the "competitive bidding," rule by the AICPA (Mason 1994). Among the primary roles of marketing in accounting firms are: attracting new clients, identifying potential clients, and nurturing professional networks (Winston 1995). indeed, practice development and marketing are synonymous for accounting and other professional services firms.

Research has clearly and consistently demonstrated the importance of personal relationships and referrals in practice development. For example, according to a study by George and Solomon (1980), three of the ten factors most influential in the selection of a CPA firm are: recommendations of other clients of CPA firm, recommendation of CPA firm by third-party referrals, and personal friendship with members of the CPA firm. In a study of clients' selection criteria for small CPA firms, Day, Dento, and Hickner (1988) found that recommendations and personal acquaintance with someone in the firm were the primary reasons for selecting a particular firm, Similarly, others have found that personal acquaintance is an important factor in making a referral for an accounting firm, including Addams, Davis and Mano (1996) who confirmed that personal relationships between the client and CPA firm can play a key role in the selection decision.

Successfully generating referrals requires three essential tasks: selecting appropriate sources of referrals, cultivating these sources, and educating these sources (Denney 1983). One way accounting firms can identify potential sources of referrals and new business is to look to their past employees, or alumni, Many reasons justify nurturing relationships with former employees. For one thing, personal acquaintance has already been established. Also, alumni of accounting firms have been known to favor their former employer when they are in a position to choose or recommend CPA firm (Kotler and Bloom 1984). Other reasons include: alumni are easy to identify and comparatively easy to track over time; alumni are already knowledgeable about the CPA firm's capabilities; and in many cases a positive relationship will already exist between alumni and their former employer (Marxen 1996). In other words, developing referrals and sources of new business is facilitated by looking to this easily identifiable group.

Viewing alumni as a potential marketing resource is particularly relevant to national CPA firms, because high turnover of employees in these firms results in a large number of alumni. In fact, Barkman, Sheridan and Peters (1992) report that attrition in public accounting firms has traditionally reached 95% by the sixth year of employment. One reason for the relatively high turnover is that employees often intentionally use a public accounting firm as a training ground and subsequently a stepping stone to other employment opportunities (Bullen and Flamholtz 1985). Even firms with lower turnover, however, can benefit from the contacts represented by former employees.

Alumni constitute a potential resource because alumni can benefit a firm in several ways: (1) buying services from the CPA firm n behalf of their present employers; (2) referring the CPA firm to their employers, friends, anti colleagues; (3) advising the CPA firm on opportunities that exist; and (4) recommending the CPA firm for employment. In addition, Marxen (1996) found empirical support r the general perception that accountants are well-placed when they leave public accounting firms. However, alumni will of course vary in their ability to serve as a marketing resource. Their type of employer, position within the firm, and feelings toward the CPA firm that once employed them all can impact the value of alumni as potential referrers or clients.

Recognizing the marketing potential of alumni, national CPA firms not only help in job placement for departing employees but also devote consider-able resources to their alumni relations programs. They expend resources in keeping track of their alumni, publishing alumni directories, and maintaining formal and informal contacts with former employees. Exit interviews frequently are used to develop a database containing names, addresses, and occupations of alumni. Firms also have publications specifically for alumni or devote an issue or space within each issue of a corporate newsletter to alumni news, Alumni relations programs may also include annual picnics, social functions, and continuing education programs. Several firms augment these formal programs with informal direct contacts, such as phone calls, lunches, or golf outings. In short, the national CPA firms typically engage in a variety of alumni relations activities to maintain relationships with former employees, who can become potential clients and referrers.

Despite the potential value of alumni to practice development, neither the accounting literature nor the professional service: marketing literature contains many references to firm alumni as a marketing resource. In fact, a review of relevant literature did not yield any e empirical study directly examining alumni systems in CPA firms or in any other business organization. To fill this void, an exploratory study was conducted, the goal of which was to identify characteristics of employee and alumni programs that influence the marketing value of alumni. Such information should point to ways in which a firm can strengthen its relationship with former employees and thereby enhance their value as a marketing resource.

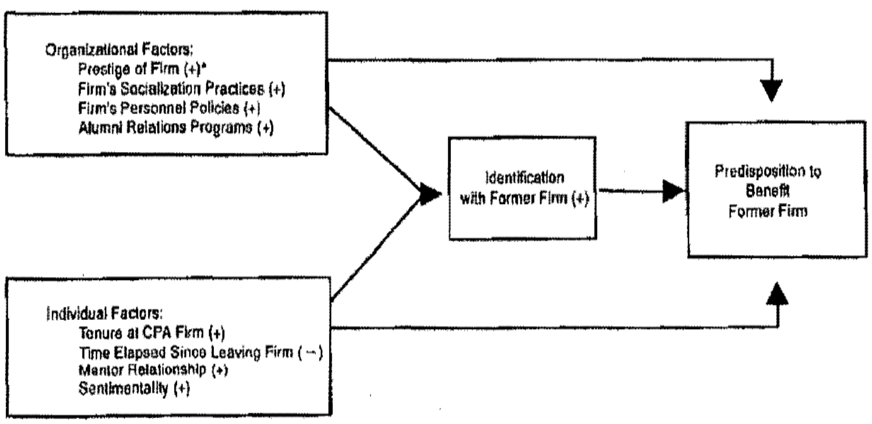
BACKGROUND

A sense of loyalty or identification, personal relationships, and the knowledge the alumnus has of the firm's services, its competencies, and reliability give the alumnus potential value as a marketing contact (Denney 1983). These assets can be created and maintained through company personnel policies and practices. However, employee and alumni relations programs differ across accounting firms. Among the differences are: (1) the perceived importance of alumni in the marketing efforts of the firm; (2) the firm's personnel and socialization policies that help strengthen employees' identification with the firm; (3) the firm's policies and environment that foster personal relationships between an employee and a partner or manager; and (4) efforts of the firm to maintain identification and personal relationships after its employees leave.

Because of the paucity of research on alumni of business organizations, the few studies of alumni of educational institutions were reviewed to glean insights into what variables might predict behavior of CPA firm alumni. In a study of (institutional) alumni giving behavior, Paton (1986) introduced the concepts of predisposition and capacity to give, A further review of the literature dealing with gift-giving behavior of alumni of educational institutions revealed that alumni's identification with the institution is an indicator of willingness or motivation to contribute. And, according to Mael and Ashforth (1992), factors related to alumni's identification with an institution (or possibly a firm) can be classified into individual and organizational factors. Specific factors related to identification, in turn, can be derived from prior studies on organizational identification Because various concepts in the educational and organizational literature seem relevant to the behavior of accounting firm alumni, a conceptual model of some of the factors potentially yielding benefits to the CPA firm was developed and is presented in Figure 1.

Two important concepts in the model are "predisposition to benefit the firm" and "identification with the firm," which are different but related concepts. Identification is the perception of belongingness to an organization (Mael and Ashforth 1992), whereas predisposition, or inclination, to benefit is the motivation *of* the alumni to buy services from the former firm, make referrals, and benefit the firm in other ways. Prior research indicates that organizational identification can be distinguished from other related concepts such as organizational commitment or professional identification (Caldwell, Chatman, and O'Reilly 1990; Mael and Ashforth 1992). Identification with the firm occurs primarily when alumni are still employed with the firm but can be maintained in part through continued contacts with the CPA firm or mentor, Predisposition to benefit the firm can be affected by alumni's identification with the firm, Previous studies of college alumni (e.g., Melchiori 1988; Mad and Ashfroth 1992) have shown that identification with the institution is related to various benefits to the institution, such as volunteering and financial donations. Hence, identification with the firm may be a necessary but not sufficient condition for predisposition to benefit. That is, identification with the firm is likely to be an intervening, or mediating, variable.

FIGURE 1. Factors Hypothesized to Be Related to Alumni's Predisposition to Benefit Their Former Employer



*Signs indicate direction of hypothesized relationships.

Previous research points to the potential direct influence of organizational variables, such as personnel policies and practices, on identification with the firm, as well as an influence on predisposition to benefit the firm. In addition, characteristics that describe an individual's relationship with the firm, such as length of employment, may affect either identification or predisposition, Personal variables, such as personality traits, are also likely to influence an alumnus' identification with or motivation to benefit a former employer. However, with the exception of sentimentality, oilier possible personal influences largely beyond the control of the firm were not investigated in this study. Rather, the primary focus was on firm-related variables, i.e., factors firms could control or influence to some degree through personnel and alumni programs.

THE STUDY

The primary objectives of the study were twofold: (1) to confirm that identification with the firm is related to predisposition to benefit the firm and (2) to investigate which organizational or individual factors, presented in Figure 1, affect identification with the firm or predisposition to benefit the firm. Based on prior research, seven firm-related variables and one personal variable were hypothesized to be directly related to identification. The organizational factors were: (1) perceived prestige of the firm, (2) alumni's evaluation of socialization processes in the firm, (3) alumni's ratings of personnel policies of the firm (recruitment, orientation, training, performance evaluation, counseling, and outplacement), and (4) efforts of the CPA firm to maintain alumni relationships.

individual characteristics hypothesized to affect an alumnus' identification were: (1) tenure with the CPA firm, (2) time elapsed since leaving the firm, and (3) strength of mentor relationship at the firm. The personal variable sentimentality was also included as an individual factor because prior research (in education) has demonstrated the importance of this variable in alumni giving-behavior. Except for "time elapsed since leaving the firm," all variables were hypothesized to have a positive relationship with alumni's identification with the firm. No formal hypotheses regarding the mediating role or identification or the direct effects of organizational and individual factors on predisposition were suggested by prior studies. Therefore, to fully test relationships among variables, the direct effects of the organizational and individual variables on predisposition to benefit the firm, as well as their indirect effects through identification with the firm, were examined.

Although alumni's potential as a marketing resource depends on both motivation and ability to benefit the firm, only the motivational component can be easily quantified and possibly influenced. Therefore, the study focused on motivational factors.

METHOD

Data were collected by means of a mail questionnaire from a sample of alumni of Big 6 firms. The names of the alumni to whom the survey instrument was mailed were selected through systematic random sampling from the alumni directories of some Big 6 firms in Atlanta and Kansas City, Three firms from Atlanta and two firms from Kansas City, a comparable city in another region, were chosen.

A pilot study was conducted prior to the survey to help refine the questionnaire. A draft of the survey instrument was distributed to 15 alumni of different CPA firms, and their detailed comments were obtained. Based on this feedback, the survey instrument was revised. The questionnaire was mailed to over 700 accounting personnel, Because of incorrect addresses, 80 questionnaires did not reach the intended recipients. A total of 236 responses were received, yielding a 35% response rate. Of the 236 questionnaires returned, 207 were usable, a sample size deemed sufficient for the statistical analyses planned.

Measures for identification with the firm, one individual and three organizational variables. were based on validated scales used in previous studies. Most represented minor adaptations of existing scales. For example, identification of alumni with the CPA firm was measured by a 5-item scale adapted from Mael and Ashforth's (1992) study of college alumni, Other measures were developed specifically for this study. Composite scores employing averages were obtained for the multi-item scales. Reliability of the measures was calculated, and items were factor analyzed to confirm unidimensionality of the measures. (The complete questionnaire and scales are available by request from the authors.)

A regression-based path analysis was conducted to identify relationships among variables. Two regression analyses were required, since each of the two dependent variables (identification with the firm and predisposition to benefit the firm) was regressed on the variables hypothesized to affect it. The first model regressed the organizational and individual variables on identification with the firm. To assess both the direct and indirect influence of the organizational and individual variables, the second model regressed these eight variables, as well as identification with the firm, on predisposition to benefit.

RESULTS

A demographic profile of respondents revealed that the proportion of mares and females among the 207 respondents was very similar to the original sample. Approximately 7.5% were males and 25% were females, Approximately 60% of the respondents specialized in Audit, 20% in Tax, 13% in Management Advisory Services, and 5% in other areas. Classification by title revealed that the largest proportion of respondents (47.8%) were seniors; 16.9% were: juniors, 20.3% managers, 9.7% senior managers, and 5.3% partners at the time they left the firm. Average age of the respondents was 41. Average tenure with the CPA firm was over 5 years, and average time elapsed since leaving the firm exceeded 11 years. Differences in respondent profiles across the sample of five firms were not considered great enough to preclude pooling of responses for subsequent analyses, Reliability, as indicated by Cronbach's Alpha, for the six scales employing a Likert response format ranged from .69 to .89. The remaining scales simply asked respondents to provide factual information, such as length of time employed by the CPA firm, In checking for unidimensionality of measures, two factors emerged when items included in the measure of alumnus' evaluation of personnel programs were subjected to principal components analysis. Hence, in subsequent analyses one factor containing three items (recruitment, orientation, and training) was labelled "recruitment," and the other three-item factor (performance evaluation, counseling, and outplacement) comprised a measure called “counseling.” Reliability of these scales was .75 and .73, respectively.

As shown in Table 1, the results of Ordinary Least Squares (OLS) regression of identification with the firm on the organizational and individual variables indicated that the regression model was highly significant ($F = 10.51$, $p < .0001$) and that the set of variables explained approximately 34% of the variation in identification with the firm. Alumni's identification with the firm was significantly related ($p < .05$) to two organizational factors: perceived prestige or the firm and evaluation of the socialization practices of the firm. Identification with the firm was also significantly related ($p < .05$) to two individual factors: strength of mentor relationship and sentimentality. All relationships were positive, as expected.

TABLE 1. Regression Results

Unweighted Least Squares Linear Regression: Identification with the Firm

Predictor Variable	Coefficient
Prestige of Firm	0.369[1]
Socialization	0.491[1]
Recruiting	−0.066
Counseling	0.056
Alumni Relations	−0.053
Tenure with Firm	−8.706E-04
Time Elapsed	−7.535E-04
Mentor Relations	0.141[1]
Sentimentality	0.186[2]

$R^2 = 0.34$, Adjusted $R^2 = 0.31$

Unweighted Least Squares Linear Regression: Predisposition to Benefit the Firm

Predictor Variable	Coefficient
Prestige of Firm	0.493[1]
Socialization	−0.079
Recruiting	0.057
Counseling	0.237[1]
Alumni Relations	0.058[2]
Tenure with Firm	−3.768E-04
Time Elapsed	−0.001[2,3]
Mentor Relations	0.017
Sentimentality	−0.005
Identification with Firm	0.283[1]

$R^2 = 0.49$, Adjusted $R^2 = 0.47$

[1] $p < .01$
[2] $p < .05$
[3] Because of the design of response formats, "time elapsed" is actually positively related to "predisposition to benefit."

In the second OLS regression, "predisposition to benefit" was regressed on the organizational and individual factors, as well as on identification with the firm, to measure the direct effect of these variables on predisposition to benefit. The regression model was highly significant ($F = 17{,}40$, $p < .0001$), and the set of variables explained 49% of the variation. Results indicated that alumni's identification with the firm is directly related to their predisposition to benefit the firm ($p < .0001$), suggesting the mediating role of the identification variable. Three organizational variables and one individual variable were found to be significantly and directly related to predisposition to benefit the firm: perceived prestige of the firm, alumni's rating of counseling practices, alumni relations programs, and time elapsed since leaving the firm. Contrary to expectations, the positive relationship between time elapsed and predisposition indicates that predisposition to benefit the firm may not decrease over time.

MANAGERIAL IMPLICATIONS

Alumni can be a valuable marketing resource, either in their roles as buyers of accounting services or as referral sources. Alumni who go to work for other CPA firms may be competitors and no resource at all, although some will be potential referral sources or clients when their former firm has an expertise not available to them in their present firm. However, the segment of the alumni population with the greatest potential to benefit the CPA firms are industry-employed alumni, because they may play important purchasing-related roles such as recommending, providing information about, or even selecting a CPA firm, The study reported here represents the first major attempt to identify factors that impact the value of this marketing resource. Specifically, the study was primarily concerned with identifying factors related to alumni's predisposition to benefit their former employer, and findings are summarized in Table 2.

The organizational factors directly affecting predisposition to benefit the firm can be influenced through the design and implementation or various policies and programs. Results suggest that perceived prestige of the firm has an incremental effect on predisposition to benefit the firm in addition to its direct effect on identification with the firm. Although, on the surface, it might seem that a firm would have little control over perceived prestige, internal marketing programs publicizing the accomplishments of the firm could contribute to more positive perceptions among employees. Similarly, marketing the firm through alumni programs can help maintain the firm's image with former employees. Exploring how specific personnel evaluation, counseling, and outplacement practices affect alumni's attitudes and behaviors toward the firm warrants further investigation-by individual firms and researchers-because marketing to the firm's alumni begins when they are still with the firm, Active alumni programs can help not only in reinforcing favorable attitudes towards the firm but also in informing former employees of changes in personnel, policies, or practices that positively affect the firm's competencies, which in turn could lead to new business opportunities.

TABLE 2. Factors Related to Alumni's Identification with and Predisposition to Benefit Their Former Firm

Identification with Former Firm	Predisposition to Benefit Former Firm
Organizational Factors:	Organizational Factors:
Prestige of Firm (+)[1]	Prestige of Firm (+)
Socialization Practices (+)	Counseling Practices (+)
	Alumni Relations Programs (+)
Individual Factors:	Individual Factors:
Mentor Relationship (+)	Time Elapsed Since Leaving (+)[2]
Sentimentality (+)	Identification with Former Firm (+)

[1]Signs indicate direction of relationships.
[2]This was the only unexpected relationship.

Findings also indicate that identification with the firm has a direct and positive relationship with predisposition to benefit. Therefore, evaluation of current policies and procedures may yield insights into ways of enhancing employee and alumni identification. TWO organizational variables significantly related to identification are perceived prestige of the CPA firm and evaluation the socialization process. Earlier studies produced similar findings; specifically, identification with an organization increases with the organization's prestige (Mael and Ashforth 1992), and perceptions of the employer's socialization process are positively related to organizational identification (Caldwell, Chatman, and O'Reilly 1990). Because of the importance of the firm's reputation, alumni should be included as a target for public relations efforts designed to enhance the firm's image. An examination of the firm's socialization process also may reveal ways to strengthen employee and subsequently alumni identification. Because the CPA firm's socialization practices impact employees' sense of "belonging," efforts to instill company values, communicate expectations, and integrate employees into the organization are extremely important. Mentoring can be an effective means of achieving these goals; in fact, mentoring can be central to the socialization of new accountants, as Dirsmith and Covaleski (1985) found in a previous study.

Two individual variables are significantly and positively related to identification with the CPA firm: strength of mentor relationship and sentimentality. Beyond the mentor's role in socialization, mentor relationships can be managed so as to effect a stronger sense of affiliation, or identification, with the firm. When mentoring partners are suitably matched, the protege can realize greater success within the firm and in his or her career, which in turn is likely to lead to positive attitudes towards the firm. Mentoring can facilitate the employee's integration into the Organizational culture through transmission of the firm's values. Furthermore, the support and guidance provided by a mentor help strengthen the bond between employee and organization. As in previous studies (e.g., Mael and Ashford) 1992), results also show a positive relationship between sentimentality and identification with the firm. Although this personal variable would appear to be outside the firm's control, it is possible that some employee relations practices could increase an employee's or alumnus' sentimentality. For example, company or departmental social functions and acknowledgement of birthdays, as well as personal or professional milestones (e.g., anniversaries), are activities that usually evoke positive feelings.

Although the variable for recruitment, orientation, and training is not significant in either of the regression analyses, policies and practices that introduce a new recruit to the firm could nevertheless influence an employee's, and subsequently an alumnus', relationship with the firm. Recruitment, for example, may result in a poor fit between firm and employee. Orientation programs may not adequately communicate organizational values, norms, and expectations. Many training programs focus 'on specific, often technical, procedures and rarely on the organization-employee interface. Fortifying this point is Chatman's (1991) finding that accounting firms' training does not have a significant socialization effect on auditors. Therefore, greater attention to designing orientation and training programs that help in the employee's integration into the corporate culture and in the formation of realistic expectations is suggested.

The direct relationship between time elapsed since leaving the firm and predisposition to benefit the firm suggests that a former employee's loyalty to his or her former employer may not wane over time. Therefore, the firm may want to expend extra effort in maintaining relationships with "older" alumni, because these alumni have likely assumed greater decision-making authority with their current organizations than more recent alumni and the extra effort could produce new marketing opportunities. Despite the fact that the firm has no control over "time elapsed," the potential effect of this variable suggests the importance of creating and maintaining an alumni database.

Although identification with the firm may be the key to willingness to serve as a marketing resource, identifying with the firm is not sufficient to make an alumnus a true resource. The alumnus must be both willing and able to help. Ability to help is outside the influence of the firm and depends upon a number of factors, including the accounting needs of the alumnus' current employer and the alumnus' current position with the employer. However, keeping track of alumni's present occupation and position would help in identifying past employees with the capacity to help their former employees.

CONCLUSIONS

Relationship marketing is especially important for professional services because of their "credence" properties (i.e., the difficulty in assessing performance quality) and the potentially long duration of provider-client relation-ships. Although the notion of relationship marketing usually focuses on relations with present customers, broadening the concept to include prospective clients or sources of referrals is crucial to practice development in CPA firms. Former employees, or alumni, represent an important marketing target because of their potential to benefit the firm in a number of ways and therefore should be included in relationship-building programs. With this segment, however, relationship marketing actually begins with the firm's employee policies and practices, because personnel programs affect perceptions and behaviors even after employees leave the firm. Alumni relations programs then assume the role of maintaining long-term relationships.

Although the study reported here was limited to major accounting firms, results may be relevant to other professional services providers. For example, alumni of advertising agencies, management consulting firms, and marketing research suppliers often join client companies, Instituting policies and procedures similar to those of the large CPA firms, as well as implementing suggestions presented herein, to enhance employee and alumni relationships could result in greater marketing opportunities.

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